

VZCZCXRO9083
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV RUEHSL RUEHSR
DE RUEHRK #0198 3081801
ZNY CCCCC ZZH
P 041801Z NOV 09
FM AMEMBASSY REYKJAVIK
TO RUEHC/SECSTATE WASHDC PRIORITY 4211
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

C O N F I D E N T I A L REYKJAVIK 000198

SENSITIVE
SIPDIS

TREASURY FOR MYERS AND NORTON
NSC FOR HOVENIER

E.O. 12958: DECL: 11/04/2019
TAGS: [EFIN](#) [IC](#) [NE](#) [PGOV](#) [PREL](#) [UK](#)
SUBJECT: ICELANDIC GOVERNMENT OPTIMISTIC PARLIAMENT WILL
PASS ICESAVE AGREEMENT, TURNS FOCUS TO BUDGET

REF: A. REYKJAVIK 191
[1](#)B. REYKJAVIK 190
[1](#)C. REYKJAVIK 176

Classified By: CDA SAM WATSON FOR REASONS 1.4 (B) AND (D)

[1](#)1. (C) In a meeting with Charge and Econoff, Minister of Finance Steingrimur Sigfusson stated that he believes by next week the Icesave agreement will be out of committee and return to parliament for its second reading. He said that the government had learned from the last vote on Icesave and that this time the process will not drag out for months. Sigfusson expressed confidence that the vote will occur, and that the bill will pass, prior to the November 30 deadline stipulated in the amended Icesave agreement.

[1](#)2. (C) With the Icesave issue seeming on track, the government has directed its attention to completing the 2010 budget by the November 30 deadline under Icelandic law. In an effort to address record deficits, the government is considering implementing significant budget cuts and tax increases, while also balancing the need to attract foreign investment (reftels A and B). Sigfusson acknowledged that the goals in the 2010 budget are ambitious, due in part to the larger than expected drop in consumption. He noted, however, that despite revised estimates projecting less growth in 2010 than previously anticipated, he expects the country to rebound even stronger in 2011 with some flexibility and understanding from the IMF.
WATSON